
North Coldstream Mines Limited

Annual Report 1969

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NORTH COLDSTREAM MINES LIMITED***Notice of Annual and General Meeting of Shareholders***

NOTICE IS HEREBY GIVEN that the annual and general meeting of the shareholders of NORTH COLDSTREAM MINES LIMITED (the "Company") will be held in the Penthouse, The Canada Trust Building, 110 Yonge Street, Toronto, Ontario, on Thursday, June 25, 1970, at the hour of 10:00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1969, together with the report of the auditors thereon;
2. To elect 7 directors;
3. To appoint auditors;
4. To consider and, if approved, to confirm with or without variation, a resolution passed by the directors of the Company authorizing the directors to elect a Chairman of the Board of Directors and providing that such Chairman will be the chief executive officer of the Company and that the President will be the chief operating officer of the Company;
5. To consider and, if approved, to consent to and confirm (subject to such amendments and/or additions and/or changes, if any, as may be approved at the meeting),
 - (a) By-law A repealing all by-laws of the Company in force prior to the enactment of said By-law A without prejudice to any action heretofore taken under the by-laws so repealed;
 - (b) By-law No. 1, being a by-law relating generally to the conduct of the affairs of the Company and containing provisions, among others, (i) as to the indemnification of the directors and officers of the Company, (ii) as to the remuneration of the officers (including the President) and directors as such, (iii) as to the payment of commissions by the Company for subscriptions for shares in the Company, and (iv) as to the making of loans by the Company to employees of the Company (whether or not they are shareholders or directors) in certain circumstances;
 - (c) By-law No. 2, being a by-law authorizing the directors to borrow money and dealing with other matters referred to in section 58 of The Corporations Act (Ontario);
 - (d) By-law No. 3, being a by-law authorizing the borrowing of money by the Company and the provision of security for any such borrowing, in the form required by the Company's banker; and
6. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 5th day of June, 1970.

BY ORDER OF THE BOARD,

G. D. PATTISON,
Secretary.

NOTES:

1. Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.
2. A copy of the directors' resolution and of By-laws A and Nos. 1, 2 and 3 may be inspected by shareholders at the offices of the Company, 34 Adelaide Street West, Toronto, Ontario, and copies will be available for inspection at the meeting.

Information Circular

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the management of NORTH COLDSTREAM MINES LIMITED (the "Company") for use at the annual and general meeting of the shareholders of the Company to be held on Thursday, June 25, 1970 at 10:00 o'clock in the forenoon (Toronto time) in the Penthouse, The Canada Trust Building, 110 Yonge Street, Toronto, Ontario, for the purposes set out in the foregoing notice of meeting. The cost of solicitation will be borne by the Company.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. The form of proxy affords the shareholder an opportunity to specify that the shares registered in his name shall be voted in favour of or against the confirmation, with or without variation, of the various matters specified in the accompanying notice of meeting, namely, the directors' resolution authorizing the election of a Chairman of the Board of Directors and By-laws A and Nos. 1, 2 and 3. The shares represented by proxies solicited by management will be voted at the meeting and, subject to the provisions of Section 75f. of The Corporations Act (Ontario), if a choice is specified in the above mentioned manner in the form of proxy with respect to the confirmation of any of such matters, the shares represented by such proxies will be voted in accordance with the specification so made.

In respect of proxies in which the shareholders have not specified that the proxy nominees are required to vote for or against, as the case may be, the confirmation of such matters, the shares represented by the proxies solicited by management will be voted in favour of the confirmation of such matters.

Management knows of no matters to come before the meeting other than the matters referred to in the foregoing notice of meeting. However, if any other matters which are not now known to management should properly come before the meeting, the proxies solicited by management will be voted on such matters in accordance with the best judgment of the proxy nominees.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Company consists of 7,000,000 shares without par value, of which 5,438,696 shares have been issued and are now outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the time of the annual and general meeting will be entitled to one vote per share at such meeting.

To the knowledge of the directors and senior officers of the Company, Dobienco Limited, the Estate of H. W. Knight, Jr. and K & G Holdings Limited each beneficially owns more than 10% of the outstanding shares of the Company. Dobienco Limited owns 1,512,610 shares, being 27.8% of the outstanding shares of the Company, the Estate of H. W. Knight, Jr. owns 1,000,000 shares, being 18.4% of the outstanding shares of the Company and K & G Holdings Limited owns 833,000, being 15.3% of the outstanding shares of the Company.

CONFIRMATION OF DIRECTORS' RESOLUTION AND BY-LAWS A AND NOS. 1, 2 AND 3

The meeting has been called as an annual and general meeting for the purposes, among other things, of: (i) confirming, with or without variation, so that it shall become a special resolution of the Company, a resolution passed by the directors of the Company authorizing the directors to elect a Chairman of the Board of Directors, providing that such Chairman of the Board of Directors shall be the chief executive officer of the Company and that the President of the Company shall be the Company's chief operating officer; and (ii) subject to such amendments and/or additions and/or changes, if any, as may be approved at the meeting, consenting to and confirming By-law A being a by-law repealing the by-laws of the Company then in force, By-law No. 1 being a new general by-law for the Company, By-law No. 2 being a by-law authorizing the directors to borrow money and dealing with other matters referred to in section 58 of The Corporations Act (Ontario) and By-law No. 3 being a new by-law authorizing the

Company to borrow money and to provide security for any such borrowing, such by-law being in the terms required by the Company's banker.

ELECTION OF DIRECTORS

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Company to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies solicited by management will be voted in favour of the election of such persons as directors of the Company. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by management as directors.

<u>Name and office held</u>	<u>Present principal occupation</u>	<u>Year first elected as a director</u>	<u>Shares of the Company beneficially owned directly or indirectly as at June 5, 1970</u>
R. D. Bell, Director and Treasurer	Vice-President—Finance, International Mogul Mines Limited	1965	2,000
J. P. Brisbois, Director and Assistant-Treasurer	Treasurer and Controller, International Mogul Mines Limited	1968	1,000
P. S. Cross, Director	Vice-President—Operations, International Mogul Mines Limited	1965	—
D. W. Knight, Director	President, International Mogul Mines Limited	1970	*
A. B. Lash, Director	Independent Consultant	1965	—
G. D. Pattison, Director and Secretary	Vice-President and Secretary, International Mogul Mines Limited	1965	—
F. G. Townsend, President and Director	Executive Vice-President, International Mogul Mines Limited	1969	3,000

NOTE:

* Mr. D. W. Knight beneficially owns more than 10% of the voting shares of Dobieco Limited which company beneficially owns 1,512,610 shares of the Company. Mr. Knight is a beneficiary of the Estate of H. W. Knight, Jr., which Estate owns 1,000,000 of the outstanding shares of the Company. Mr. Knight beneficially owns approximately 7.5% and such Estate beneficially owns approximately 52.5% of the outstanding shares of K & G Holdings Limited, which company owns 833,000 shares of the Company.

Mr. D. W. Knight became a director of the Company on May 14, 1970. Mr. Knight has been the President of International Mogul Mines Limited since November 20, 1968 and has been the President of Draper Dobie & Company Limited (stock brokers) since 1965. Mr. F. G. Townsend became a director of the Company on September 22, 1969 and became its President on May 14, 1970. Since July 2, 1969 Mr. Townsend has also been the Executive Vice-President and a director of International Mogul Mines Limited and for the five preceding years was a partner in the firm of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants.

REMUNERATION OF MANAGEMENT AND OTHERS

During the financial year ended December 31, 1969 the aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company was \$1,650.

APPOINTMENT OF AUDITORS

Management proposes to nominate Messrs. Thorne, Gunn, Helliwell & Christenson, who have been the auditors of the Company since June 30, 1969, as auditors of the Company, to hold office until the next annual meeting of shareholders. It is intended that the shares represented by proxies solicited by management will be voted in favour of the appointment of Messrs. Thorne, Gunn, Helliwell & Christenson, as auditors of the Company.

June 5, 1970.

NOTES:

Basis of consolidation

The statement of income consolidates the operation of the company's partially owned subsidiaries, City Associated Enterprises Limited, Delyte's Boutique Limited and Spotless Cleaners Limited, and the company's wholly owned subsidiary, Stream Bahamas Limited.

Restatement of comparative figures

The figures for the comparative period have been restated to consolidate City Associated Enterprises Limited from January 25, 1969, the effective date of the acquisition.

Income taxes

The company's subsidiaries are incorporated and operate in the Bahama Islands. There are no taxes on income under Bahamian law. The company, itself, had no taxable income for the period.

North Coldstream Mines Limited

Interim Report
SIX MONTHS ENDED
JUNE 30, 1970

North Coldstream Mines Limited

34 Adelaide Street West
Toronto, Canada

To the Shareholders:

Your management is pleased to present a report on the activities of your Company for the six months ended June 30, 1970.

The Company's investment in International Mogul Mines Limited remains unchanged at 567,000 shares, representing about 21.7% of its issued shares. A copy of the Interim Report for the six months ended June 30, 1970 issued by International Mogul accompanies this report. You will notice that the earnings per share of International Mogul for the first six months of the year, exclusive of gain on investments, rose to 62¢ from 29¢ for the equivalent period last year.

The Company's interests in the Bahamas through its 63.5% holding in City Associated Enterprises Limited continue to show the effects of a marked slowdown in tourist and investor activity although Spotless Cleaners in Nassau, which is owned 75% by City Associated, is still demonstrating considerable strength in earnings. Your management is hopeful that the present situation will improve before the end of the year.

Interscan Limited, in which your Company owns 39.1% of the issued shares, has installed two optical character recognition machines in the U.K. this year and obtained orders for two more in Germany. Additional orders are expected in the near future. It is expected that gross revenue for 1970 will be in excess of \$3,000,000.

Your Company has extended its agreement to provide financial assistance to Interscan and until all amounts have been repaid, your Company will retain voting control of Interscan under a voting trust agreement.

Exploration

In participation with International Mogul Mines Limited, an exploration program including geological mapping, geochemical investigation and diamond drilling is being conducted on a copper prospect in Pima and Santa Cruz Counties in Arizona.

In addition several mineral prospects were examined and evaluated during the period.

Yours respectfully,

D. W. KNIGHT,
Chairman of the Board.
August 20, 1970.

North Coldstream Mines Limited

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Six months ended June 30, 1970
with comparative figures for 1969

(unaudited)

	1970	1969
Sales	\$1,425,360	\$1,023,101
Operating income	770,794	407,200
Selling expenses	329,088	181,298
Overhead expenses	137,575	76,221
Depreciation	21,059	11,029
	487,722	268,548
Net income from retail operations	283,072	138,652
Administrative and general expenses	30,153	18,082
Interest expense	140,726	22,776
General exploration	170,879	6,948
Less income from investments and other	112,218	2,643
	58,661	45,163
Net income for the period before interest of minority shareholders	224,411	93,489
Interest of minority shareholders in net income of subsidiaries	165,838	53,153
Net income for the period	\$ 58,573	\$ 40,336

North Coldstream Mines Limited

and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended June 30, 1970
with comparative figures for 1969

(unaudited)

	1970	1969
Source of funds		
Net income for the period before interest of minority shareholders	\$ 224,411	\$ 93,489
Items not involving an outlay of funds		
Depreciation	21,059	11,029
	245,470	104,518
Application of funds		
Acquisition of consolidated subsidiaries		2,126,605
Less portion of consideration not involving an outlay of funds		1,370,419
		756,186
Dividend to minority shareholder of a subsidiary company	52,750	
Investments		
Advances to other companies	509,692	
Additions to fixed assets	74,763	
Exploration expenditures deferred and additions to mining claims	11,188	69,281
Reduction of long-term debt	165,626	
	814,019	825,467
Decrease in working capital position	568,549	720,949
Working capital (deficiency) at beginning of period ..	(1,132,410)	767,920
Working capital (deficiency) at end of period	\$ (1,700,959)	\$ 46,971

North Coldstream Mines Limited

North Coldstream Mines Limited

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of consolidation

The statements of income and source and application of funds consolidate the operations of the company's partially owned subsidiaries from the effective dates of acquisition on March 25, 1969, May 11, 1969 and June 1, 1969 respectively, and its wholly owned subsidiary from incorporation on March 31, 1969.

Comparative figures

The Company's operations were substantially different for the six months ended June 30, 1968 and are not comparable. Accordingly, comparative figures have been omitted from these statements.

Income taxes

The Company's subsidiaries are incorporated and operate in the Bahama Islands. There are no taxes on income under Bahamian law. The company itself had no taxable income for the period.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended June 30, 1969
(unaudited)

Source of funds

Net income for period* ..	\$ 8,455
Items not involving an outlay of funds	42,890
	\$ 51,345

Application of funds

Acquisition of consolidated subsidiaries	2,126,605
Less portion of consideration not involving an outlay of funds	1,370,419
	<u>756,186</u>
Exploration expenditures deferred	68,339
Other	942
	<u>825,467</u>
Decrease in working capital	774,122
Working capital at beginning of period ..	767,920
Working capital deficiency at end of period	<u>\$ 6,202</u>

North Coldstream
Mines Limited

Interim Report
SIX MONTHS ENDED
JUNE 30, 1969

North Coldstream Mines Limited

34 Adelaide Street West
Toronto 1, Ontario

To the Shareholders:

Presented herewith is a report on the activities of your Company during the six months ended June 30, 1969.

Diamond drilling has continued on the mineral claims jointly held by the Company and International Mogul Mines Limited, located in the Crescent Lake-Juneau areas of Northern Ontario, east of the town of Armstrong.

Since the first of the year, 27 drill holes have been completed. Twenty of these, totalling 12,400 feet of coring, have been concentrated on the B-4-7 anomaly near Juneau Lake. This drilling has intersected significant sulphide mineralization along a length of 1,600 feet and to a tested depth of 800 feet. The intersections deemed to be of ore potential in this mineralized zone grade an average of 0.85% Ni and 0.6% Cu. Drilling continues at the rate of 4,000 feet per month in the evaluation of the zone, with current emphasis on the indicated westerly plunge beyond the surface anomaly.

It is premature at this time to estimate ore potential and grade due to the wide spacing of the holes and the considerable number of intersected sections. The present program will be continued with the objective of outlining an economic ore zone.

Preliminary metallurgical test work is scheduled for the last quarter of this year.

Additionally, there are further anomalous areas in this immediate area which remain to be investigated.

As previously reported, your Company purchased for investment during the month of March, 1969, 455,000 shares of The City Pharmacy (Freeport)

Limited, representing a 65% interest in its issued shares.

City Pharmacy, which carries on its operations in the City of Freeport, Grand Bahama Island, through six retail outlet stores, has shown substantial growth over the past three years and just recently acquired a perfume shop, located in Freeport, known as Delytes' Boutique, and a 75% interest in Spotless Cleaners Limited, which operates a profitable dry cleaning and laundry business in the City of Nassau. The accompanying statement of income does not indicate the real potential of these operations as earnings have been included only from the dates of acquisition.

Your Company's investment in International Mogul Mines Limited remains unchanged at 567,000 shares, being 21.7% of its issued shares. Accompanying this report for your information is a copy of the Interim Report for the six months ended June 30, 1969 issued by International Mogul.

Yours respectfully,

G. D. PATTISON
President

August 28, 1969

North Coldstream Mines Limited

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Six months ended June 30, 1969

(unaudited)

Sales	\$ 636,991
Cost of sales	376,416
	260,575
Selling expenses	\$ 113,954
Administrative and general expenses	50,113
Depreciation	6,904
	170,971
Net income from retail operations	89,604
Administrative and general expenses	18,082
Interest expense	22,776
General exploration	6,948
Loss on sale of marketable securities	3,095
	50,901
Less interest and dividend income	5,738
	45,163
Net income for period before interest of minority shareholders	44,441
Interest of minority shareholders in net income of subsidiaries	35,986
	\$ 8,455
Net income for period	\$ 8,455

North Coldstream Mines Limited

Officers

F. G. TOWNSEND, F.C.A.	-	-	-	-	-	-	-	-	President
G. D. PATTISON, C.A.	-	-	-	-	-	-	-	-	Secretary
R. D. BELL, C.A.	-	-	-	-	-	-	-	-	Treasurer
D. A. HUMBY, C.A.	-	-	-	-	-	-	-	-	Assistant Secretary
J. P. BRISBOIS, C.A.	-	-	-	-	-	-	-	-	Assistant Treasurer

Directors

R. D. BELL, C.A.	-	-	-	-	-	-	-	-	Toronto, Ontario
J. P. BRISBOIS, C.A.	-	-	-	-	-	-	-	-	Toronto, Ontario
P. S. CROSS, B.A.Sc.	-	-	-	-	-	-	-	-	Toronto, Ontario
D. W. KNIGHT	-	-	-	-	-	-	-	-	Toronto, Ontario
A. B. LASH	-	-	-	-	-	-	-	-	Toronto, Ontario
G. D. PATTISON, C.A.	-	-	-	-	-	-	-	-	R.R. No. 2, Aurora, Ontario
F. G. TOWNSEND, F.C.A.	-	-	-	-	-	-	-	-	R.R. No. 1, Streetsville, Ontario

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON	-	Toronto, Ontario
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Registrar and Transfer Agent

CANADA PERMANENT TRUST COMPANY
1901 Yonge Street, Toronto, Ontario

Head Office

34 ADELAIDE STREET WEST	-	-	-	-	-	Toronto, Ontario
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Directors' Report to the Shareholders

Your Board of Directors is pleased to report to you on the activities of your Company during 1969. The details of the operations and investments are contained in the following pages.

North Coldstream's approximately 22 percent interest in International Mogul Mines Limited continues to be its major asset, and you will no doubt be interested in the 1969 Annual Report of that company which accompanies this report. You will notice that International Mogul had a good year and that its current financial position is excellent.

During 1969 the financial position of your Company changed considerably with the acquisition of 63.5 percent of City Associated Enterprises Limited. This Bahamian company operates retail stores and a dry-cleaning service. It is expected to make a significant contribution to the earnings of your Company in the years ahead.

The operations of City Associated and its subsidiaries during the latter part of 1969 and early 1970, although profitable, have not shown the growth experienced in earlier periods. This is due directly to a slowdown in Bahamian tourist activity during the last six months. However, there is already some evidence of a reversal in this trend and your management expects that business will pick up during the balance of the year.

Expansion is planned in the Bahamas towards the end of 1970, primarily in the dry-cleaning business which has proven to be a particularly profitable investment. In May, 1970, City Associated Class B shares became listed on the Canadian Stock Exchange in Montreal.

Consolidated net income of the Company and its subsidiaries for the year was \$377,504 which includes gain on sale of investments amounting to \$285,206.

Another promising North Coldstream investment is that in Interscan Limited engaged in distributing computer input equipment in Europe. A small profit was earned in 1969, the first year of operation, but it is expected that this company will operate on a more profitable basis during 1970.

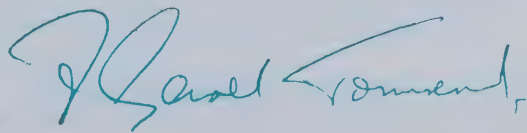
These acquisitions and investments during 1969 have been financed almost wholly out of bank loans. This accounts for the significant excess of liabilities over current and fixed assets and the relatively large interest expense. Management expects that this indebtedness will reduce substantially during the next two to three years. Your Company has planned this policy to take advantage of the low price-earnings ratio at which acquisitions were made without diluting shareholders' interest in profits.

During 1969 the Company continued an active program of mineral exploration in Canada, the United States of America and Australia, details of which are contained elsewhere in this report.

At the forthcoming Annual and General Meeting of Shareholders you will be asked to confirm a directors' resolution and a new general by-law of the Company. This would update by-laws regulating the general conduct of company affairs and the resolution will create the office of Chairman of the Board of Directors. The Chairman would be the Chief Executive Officer. It is proposed that Mr. David W. Knight be elected by the Directors to this new position.

Your Board of Directors would like to express its deep appreciation to the management and employees of your Company and its subsidiaries. The success of your Company is very much a reflection of their efforts.

On behalf of the Board,



President.

Toronto, Ontario,
June 5, 1970.

Operations and Investments

CITY ASSOCIATED ENTERPRISES LIMITED

The operations of City Associated Enterprises Limited are centered in Freeport and Nassau in the Bahamas. Starting with a chain of perfume and drug stores in the Freeport area, the company has expanded into the dry-cleaning industry with a large plant in Nassau. From this base the company intends to pursue expansion in associated consumer and service industries. The company is headed by prominent resident and native Bahamians and has a good working relationship with authorities in the area.

Pharmacies and Perfumeries

City operates seven outlets engaged in the retail sale of perfumes, fragrances, drugs, pharmaceutical items, jewelry, toys and other sundry goods. The stores, located in the Freeport area and in a number of hotels in Freeport/Lucaya, are permitted by license to sell anything normally sold in large American drugstores, allowing for substantial expansion of product line. During 1969 City purchased a 100% interest in DeLyte's Boutique Limited, a perfume shop located in Freeport which has now been integrated with City's own operations.

It is estimated that approximately 70 percent of sales are to tourists. The main product line is perfumes, priced some 45 percent lower than in the U.S. but still sold at a high profit margin due to low import duties. About 60 percent of City's sales are in perfumes. The company has exclusive rights in the Freeport area to market the product of a number of major Parisian perfume houses. City Associated retails more French perfumes than any other company in the Caribbean or Latin America. The company will be in a good position to apply for and receive licenses for additional sales outlets as expected expansion in tourism materializes. City also owns a 20 percent interest with French partners in Bahama Enterprise Trading Companies Overseas Limited, beginning to serve the Caribbean and South America with a variety of French products including perfumes.

The company sells patent medicines in its pharmacy outlets and plans expansion into wholesaling and retailing of ethical drugs. Local medical clinics have expressed a desire to be relieved of ethical drug distribution. They will be supplied by City on a wholesale basis.

Start-up of this operation, expected to contribute significantly to profits, awaits Immigration clearance for the pharmacist.

Spotless Cleaners Limited

In July, 1969, City acquired a 75 percent interest in Spotless Cleaners Limited of Nassau, a modern, efficient dry-cleaning plant servicing a mainly residential district. Within two years of start-up the plant operates at capacity and plans are being finalized to build a second one in another part of Nassau this year. The equipment used in the plant is of the most modern U.S. and British design. Methods employed are highly efficient resulting in above average profit margins. Prices for dry-cleaning, while perhaps 50 percent higher than those in North America, are among the lowest in the Islands. The spectacular growth of this service results from a shortage of adequate dry-cleaning facilities in the Islands. This situation suggests that Spotless will be able to expand considerably in the next few years. The company is also planning to build or buy a plant in the Freeport area.

A copy of the 1969 Annual Report of City Associated was mailed to all North Coldstream shareholders in December, 1969, for information. The company has since changed its year end to December 31, and a brief report for the period January 26 to December 31, 1969 was recently sent to all shareholders of City Associated. A copy of that report is enclosed to give you more up to date and detailed information on the company.

INTERSCAN LIMITED

As reported in the quarterly report for the period ended September 30, 1969, North Coldstream purchased 39.5 percent interest in Interscan Limited for \$146,664. Interscan is a Canadian company engaged in distributing optical character recognition equipment for computers in Canada and Europe. Interscan has exclusive franchise agreements for equipment produced by Scan-Data Corporation of Norristown, Pennsylvania. The company has since obtained franchise agreements from manufacturers in Dallas, Texas and Stockholm, Sweden for marketing of other types of computer input equipment complementary to the Scan-Data machines.

Your management is confident that this involvement with the rapidly expanding needs for fast efficient computer input systems will prove very worthwhile for North Coldstream. During 1969, three Scan-Data machines were sold for a total sales value of about \$1,660,000. To date this year, one machine has been sold and installed in the United Kingdom and several other orders are expected shortly.

In addition to the investment in the shares of Interscan, your Company has provided financial assistance through loans and guarantees which at the present time amount to \$572,000.

These advances should be substantially reduced by the end of 1970 if the expected orders materialize. Until all loans have been repaid, your Company retains voting control of Interscan under a voting trust agreement.

EXPLORATION

The principal project during 1969 was the equal partnership with International Mogul Mines in investigating mineral claims located in northwestern Ontario's Juneau Lake area, near Armstrong.

A total of 27,047 feet of diamond drilling in 46 holes was completed. This drilling was mainly confined to a mineralized massive sulphide zone along a strike length of nearly 2,000 feet and to a depth of over 1,000 feet. This zone is estimated to contain 2.2 million tons of material with an undiluted grade of 0.87% nickel and 0.59% copper.

Metallurgical test work indicated considerable difficulty in producing an acceptable nickel concentrate. Because of this difficulty and the relatively modest tonnage of the zone, it was decided that a commercial operation was not yet feasible. The exploration program was suspended in December.

In the southwestern United States some 30 mineral prospects were investigated in Arizona and New Mexico. The principal project in this area was the investigation of a former copper producing property in western Arizona known as the Yuma mine. This work revealed limited tonnage of mixed oxide-carbonate-sulphide ore of reasonable grade, but with uncertain recovery potential. No further work on this property is planned, but exploration continues in this general area. In Michigan, North Coldstream participated in the drilling of a test gas well on a lease area of some 30,000 acres. The drilling did not prove successful and the well was plugged and abandoned. No further tests are planned for this area.

The Company also participated in the investigation of a copper prospect in the Bathurst area of New South Wales, Australia. Nothing of economical interest was discovered and the exploration work which included diamond drilling, was terminated.

North Coldstream Mines Limited

(Incorporated under the laws of Ontario)
and its subsidiaries

Consolidated Balance Sheet – December 31, 1969

(with comparative figures at December 31, 1968)

Assets	1969	1968
CURRENT ASSETS		
Cash and short-term deposits	\$ 448,234	\$ 28,304
Marketable securities, at cost (quoted market value, 1968, \$564,000)		508,571
Notes receivable		165,000
Accounts receivable	42,592	48,636
Inventory, at lower of cost and net realizable value	768,161	
Special refundable tax	1,304	38,396
Prepaid expenses	17,828	
	<u>1,278,119</u>	<u>788,907</u>
INVESTMENTS (note 2)		
Shares of International Mogul Mines Limited, at cost (quoted market value, 1969 — \$9,500,000, 1968 — \$10,300,000)	8,198,069	8,198,102
Other companies		
Shares, at cost	147,200	
Advances	259,369	
	<u>8,604,638</u>	<u>8,198,102</u>
FIXED ASSETS		
Building, equipment and leasehold improvements, at cost	414,763	
Less accumulated depreciation	93,820	
	<u>320,943</u>	
OTHER ASSETS		
Mining claims and options, at cost	9,448	8,404
Deferred exploration expenditures (note 3)	302,090	129,109
Mortgage receivable (note 6)	175,000	175,000
	<u>486,538</u>	<u>312,513</u>
EXCESS OF COST OF SHARES OF SUBSIDIARIES over book value on acquisition	<u>2,186,961</u>	
	<u>\$12,877,199</u>	<u>\$ 9,299,522</u>

Auditors' Report

To the Shareholders of
North Coldstream Mines Limited

We have examined the consolidated balance sheet of North Coldstream Mines Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 18, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Liabilities

	1969	1968
CURRENT LIABILITIES		
Bank loan, secured by certain investments	\$ 891,734	
Accounts payable and accrued liabilities	233,513	\$ 57,742
Mining and other taxes payable (note 4)	48,245	48,245
Loan payable	433,200	
Principal due within one year on long-term debt	803,837	
	<u>2,410,529</u>	<u>105,987</u>
LONG-TERM DEBT (note 5)		
Bank loans, secured by certain investments	859,863	
Promissory notes payable	315,600	
	<u>1,175,463</u>	
Less amount included in current liabilities	803,837	
	<u>371,626</u>	
MINORITY INTEREST in subsidiaries	<u>524,005</u>	

Shareholders' Equity

CAPITAL STOCK		
Authorized — 7,000,000 shares without par value		
Issued — 5,438,696 shares	7,454,349	7,454,349
RETAINED EARNINGS	<u>2,116,690</u>	<u>1,739,186</u>
	<u>9,571,039</u>	<u>9,193,535</u>
Approved by the Board:		
F. G. TOWNSEND, Director.		
R. D. BELL, Director.		
	<u>\$12,877,199</u>	<u>\$ 9,299,522</u>

North Coldstream Mines Limited

and its subsidiaries

Consolidated Statement of Income and Retained Earnings

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales	\$2,716,357	
Operating income	1,193,999	
Selling expenses	399,210	
Overhead expenses	297,327	
Depreciation	27,444	
	723,981	
Net income from retail operations	470,018	
Administrative and general expenses	59,723	\$ 31,594
Interest on long-term debt	92,166	
Other interest	105,310	230
Exploration expenditures written off	21,546	2,408
	278,745	32,232
Interest, dividend and other income	75,652	93,882
	203,093	(59,650)
Income before undernoted items	266,925	59,650
Extraordinary items		
Gain on sale of marketable securities	285,206	
Gain on disposal of mining assets		285,861
Income tax recovery (note 4)		97,000
	285,206	382,861
Net income for the year before interest of minority shareholders	552,131	442,511
Interest of minority shareholders in net income of subsidiaries	174,627	
Net income for the year	377,504	442,511
Retained earnings at beginning of year	1,739,186	1,296,675
Retained earnings at end of year	\$2,116,690	\$1,739,186

North Coldstream Mines Limited

and its subsidiaries

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

SOURCE OF FUNDS	1969	1968
Net income for the year before interest of minority shareholders	\$ 552,131	\$ 442,511
Add items not involving an outlay of funds		
Depreciation	27,444	
Exploration expenditures written off	21,546	
Mining properties written off		138,712
	601,121	581,223
Special refundable tax		94,914
	601,121	676,137
APPLICATION OF FUNDS		
Acquisition of consolidated subsidiaries	2,030,094	
Less portion of consideration not involving an outlay of funds	1,256,407	
	773,687	
Investments		
Shares	147,167	1,198,133
Advances	259,369	
Exploration expenses deferred and additions to mining claims	195,571	129,563
Additions to fixed assets	155,876	
Reduction of long-term debt	884,781	
Mortgage receivable		175,000
	2,416,451	1,502,696
Decrease in working capital position	1,815,330	826,559
Working capital at beginning of year	682,920	1,509,479
Working capital (deficiency) at end of year	\$ (1,132,410)	\$ 682,920

North Coldstream Mines Limited

and its subsidiaries

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1969

1. BASIS OF CONSOLIDATION

The company's subsidiaries are consolidated herein, as follows:

- (1) Stream Bahamas Limited, incorporated March 31, 1969, wholly-owned.
- (2) City Associated Enterprises Limited (formerly The City Pharmacy (Freeport) Limited), 63.5% owned by Stream Bahamas Limited, the acquisition effective January 25, 1969 and completed April 1, 1969.
- (3) DeLyte's Boutique Limited, wholly-owned by City Associated Enterprises Limited, acquisition effective May 11, 1969.
- (4) Spotless Cleaners Limited, 75% owned by City Associated Enterprises Limited, acquisition effective June 1, 1969.

Earnings of these subsidiaries have been consolidated from the respective effective dates of acquisition. All the subsidiaries are incorporated under the laws of the Bahama Islands, and their accounts, expressed in Bahamian dollars, have been converted at prevailing rates of exchange.

2. INVESTMENTS

The investment in International Mogul Mines Limited represents approximately 22% of the issued shares of that company. The quoted value of these shares does not necessarily represent the value of the investment, which may be more or less than that indicated by market quotations. The quoted market value at March 17, 1970 was approximately \$7,650,000.

Other investments are as follows:

	Cost of shares	Advances including accrued interest	Total
Interscan Limited	\$ 146,664	\$ 255,161	\$ 401,825
Bahama Enterprise Trading Companies Overseas Limited	505	4,208	4,713
Other	31		31
	<u>\$ 147,200</u>	<u>\$ 259,369</u>	<u>\$ 406,569</u>

The company's holdings in Interscan Limited represent a 39% interest. The company has agreed to provide financial assistance to Interscan up to a maximum of \$500,000 to June 30, 1970, together with certain temporary financing if necessary. The advances are to be repaid on or before September 30, 1970. In connection with this financing the company has also given a guarantee of \$75,000 on behalf of a subsidiary of Interscan.

Under the terms of a voting trust agreement dated September 26, 1969, the company is entitled to exercise voting control over 58% of the shares of Interscan until the latter's indebtedness to the company has been fully repaid.

3. DEFERRED EXPLORATION EXPENDITURES

Details of these expenditures by location are as follows:

Location	Balance December 31, 1968	Expenditures during year	Transferred to income	Balance December 31, 1969
Crescent-Juneau Lakes, Thunder Bay Mining Division, Ontario	\$ 75,430	\$ 120,175		\$ 195,605
Arizona and New Mexico	47,697	28,686		76,383
Wheeler Township, Michigan		4,588	\$ 4,588	
Bathurst Area, N.S.W., Australia	5,982	24,120		30,102
General exploration		16,958	16,958	
	<u>\$ 129,109</u>	<u>\$ 194,527</u>	<u>\$ 21,546</u>	<u>\$ 302,090</u>

4. INCOME TAXES

During 1968 the company disposed of its remaining mine plant and equipment. As a result of providing depreciation in the accounts in excess of that claimed for tax purposes in prior years, the disposal created a loss for income tax purposes, which was carried back as a partial recovery of 1967 income taxes paid.

The company had no taxable income for the year. Its subsidiaries are incorporated and operate in the Bahama Islands, where there are no taxes on income.

The liability for mining and other taxes payable is a provision for unsettled items of prior years.

5. LONG-TERM DEBT

Long-term debt is due as follows:

Up to December 31, 1970	\$ 803,837
1971	266,426
1972	105,200
	<u>\$1,175,463</u>

The bank loans represent in total \$800,000 U.S. Interest rates are based on Euro-dollar six months rates, to be adjusted every six months.

The promissory note bears interest at 9% per annum and is secured by a debenture providing for a floating charge on the assets and undertakings of City Associated Enterprises Limited.

6. COMPARATIVE FIGURES AND RECLASSIFICATION OF CERTAIN ITEMS

Certain 1968 figures have been reclassified on the basis of 1969 financial statement presentation. In particular, because certain instalments on the mortgage receivable are overdue, the entire mortgage is considered to be non-current and is included under "Other Assets". At December 31, 1968, \$85,000 of this mortgage was previously included under current assets.

7. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (as defined by The Corporations Act) was \$1,650 in 1969 (\$20,365 in 1968).

